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If you sell or have sold or otherwise transferred all of your registered holding of your ordinary shares in the Company (the “Shares”) please send this document, together with the accompanying personalised form of proxy (the “Form of Proxy”) at once to the purchaser or transferee of such Shares or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. However, subject to certain exceptions, such documents should not be forwarded to or transmitted in or into the United States, Australia, Canada, Japan, New Zealand, the Republic of Ireland or South Africa or to U.S. persons.

This document is not an offer for securities, or the solicitation of an offer to acquire securities, in any jurisdiction nor does it constitute a prospectus or equivalent document. This document is provided solely for the information of the holders of Shares (the “Shareholders”) in connection with a general meeting and not for any other purpose.



LMS CAPITAL PLC

(Incorporated and registered in England and Wales with registered number 05746555)

Notice of General Meeting

Recommended Proposal for the Company’s Investment Management Arrangements

Proposed Amendment to the Investment Management Agreement as a related party transaction

Notice of a general meeting of LMS Capital plc to be held at 10 Snow Hill London EC1A 2AL at 10.00 a.m. on 28 November 2019 (the “General Meeting”) is set out at the end of this document. Shareholders are requested to complete and return their Form(s) of Proxy.

The Form of Proxy for use at the General Meeting accompanies this document and, to be valid, should be completed, signed and returned, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, in accordance with the instructions printed on it to Link Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible and, in any event, so as to arrive by no later than 10.00 a.m. on 26 November 2019. Completion and return of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.

This document should be read as a whole. Nevertheless, your attention is drawn to the letter from your Chairman of the Company set out in Part I of this document which contains a recommendation from the Board (acting by a majority which consists of each of the Independent Directors) that you vote IN FAVOUR OF the resolution to be proposed at the General Meeting. The fourth member of the Board, Mr. Rayne, does not support the Resolution and will be providing details of an internal management proposal in a separate letter to Shareholders. The Independent Directors have not reviewed and are not responsible for the contents of such letter. Your attention is also drawn to the section entitled “Action to be taken by Shareholders” on page 6 of this document. Shareholders should make their own investigations in relation to the Proposal, including the merits and risks involved. Nothing in this document constitutes legal, tax, financial or other advice, and if they are in any doubt about the contents of this document, Shareholders should consult their own professional advisers.

Defined terms used in this document have the meanings given to them in the section headed “Definitions” on page 16.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	5 November 2019
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 26 November 2019
General Meeting	10.00 a.m. on 28 November 2019
Announcement of results of the General Meeting	28 November 2019

References to times in this document are to London times unless otherwise stated. Any changes to the expected timetable will be notified by the Company through a Regulatory Information Service.

PART I – LETTER FROM THE CHAIRMAN



LMS CAPITAL PLC

(Incorporated and registered in England and Wales with registered number 05746555)

Directors:

Martin Knight *(Independent chairman)*
Rod Birkett *(Independent non-executive director)*
Neil Lerner *(Independent non-executive director)*
Robert Rayne *(Non-executive director)*

Registered Office

LMS Capital plc
Two London Bridge
London
United Kingdom
SE1 9RA

5 November 2019

Dear Shareholder,

General Meeting and Proposal for the Company's Future Investment Management Arrangements

1. INTRODUCTION

Further to the announcement by the Company on 27 September 2019, I am writing to provide you with details of a general meeting of the Company which will be held at 10 Snow Hill London EC1A 2AL at 10.00 a.m. on 28 November 2019.

This document sets out details of, and seeks your approval of:

- (a) the proposal made by Gresham House Asset Management Limited which is recommended by the Board (acting by a majority which consists of each of the Independent Directors) for the Company's ongoing investment management arrangements; and
- (b) associated amendments to the performance fee payable to GHAM under the Company's Investment Management Agreement as a related party transaction pursuant to the Listing Rules,

(together, the "**Proposal**").

Further details of the Proposal and the Resolution which will be put to Shareholders at the General Meeting are set out below. Notice of the General Meeting is set out at the end of this document and a Form of Proxy is enclosed with this document.

2. BACKGROUND

Management Review Process

On 26 July 2019, the Company announced that ahead of the third anniversary of the appointment of GHAM as the incumbent investment manager of the Company, the Board would commence a review of its investment management arrangements. In conducting this review, the Company received proposals from GHAM, Mr. Rayne (in respect of an internal management proposal) and certain other third-party investment managers. Since the proposals received included one made by Mr. Rayne, it was resolved by the Board that the Independent Directors (being Messrs. Knight, Birkett and Lerner) should carry out the review to ensure any potential conflict of interest could be carefully managed.

Each proposal received by the Company was assessed by the Independent Directors against the following criteria:

- (a) total implementation and annual running costs applied to the Company under the proposed arrangements;
- (b) practical deliverability of the proposal;
- (c) ability, resources and track record of the proposed management team to manage a listed investment company;
- (d) an ability to find, manage and exit investments in a manner that would be accretive to net asset value; and
- (e) evidence of a plan to narrow the share price discount to net asset value.

Following presentations and written submissions in respect of each of the proposals, the Independent Directors unanimously concluded that the reappointment of GHAM on the terms described in Part II of this document was in the best interests of the Company.

On 27 September 2019, the Company announced the conclusions of the majority of the Board (which comprised all of the Independent Directors), namely that GHAM should continue as the appointed investment manager of the Company. This decision was made on the basis of GHAM's proposal on the terms described in Part II of this document, including a reduction in the annual management fee attributable to cash balances in the Company's portfolio.

In conducting the management review, the Independent Directors sought to ensure that all proposals were treated in an equal manner. This included the management proposals being required to be submitted by a defined date and no party being permitted to make subsequent submissions in order to avoid any undue delay to the process. The Independent Directors' decision was therefore based on the information submitted to them in line with the timetable given to all interested parties. This was particularly relevant in the context of the internal management proposal which, in the opinion of the Independent Directors, did not contain sufficient information on the likely annual running costs to allow the Independent Directors to make a definitive conclusion on whether costs would increase or decrease as compared to the current arrangements, or as to whether the internal management proposal would have the resources which the Independent Directors consider are required to drive long-term performance and Shareholder value.

Internal Management Proposal

Mr. Rayne continues to support an internal management proposal and has stated to the Board that his view is also supported by a number of Shareholders that he represents.

Notwithstanding the conclusion of the Independent Directors, it was acknowledged that Mr. Rayne and his family represent a significant number of Ordinary Shares in the Company. The internal management proposal made to the Company included reference to a shareholder consent being required in order to implement a proposed incentive scheme for the management team (in respect of which any Shareholder connected to the management team could not vote in accordance with the Listing Rules). Reference was also made during discussions of the internal management proposal to a potential return of capital that would also require Shareholder consent. In order to assess the deliverability of the internal management proposal prior to making the announcement on 27 September, the Independent Directors offered Mr. Rayne the chance to demonstrate that a majority of Shareholders (by voting rights) who were not represented by him or his family supported his approach. Mr. Rayne was unable to provide the Independent Directors with evidence of such support.

The Independent Directors emphasise that the Company could have entered into revised management arrangements with GHAM by a majority board decision with only the proposed amendments to the performance fee being subject to Shareholder approval. Notwithstanding this, the Board has decided to make its majority decision to reappoint GHAM subject to approval by Shareholders in accordance with good corporate governance and to seek to provide certainty for Shareholders going forward.

In the event that Shareholders do not pass the Resolution approving the Proposal, and as previously announced, the Independent Directors intend to resign from the Board of the Company with immediate effect following the General Meeting. In these circumstances, it is expected that

Mr. Rayne, together with the replacement directors selected by him, would seek to implement the internal management proposal with the approval of proposed management incentivisation arrangements being sought from Shareholders within the next year. Shareholders should note that the Company and GHAM have agreed that if notice is served by the Company to terminate the Investment Management Agreement on any date before 30 November 2019, that notice shall expire (and GHAM's appointment shall be terminated) with effect from 31 May 2020.

Dividend Policy and Continuation Vote

Subject to market conditions, applicable law and the Company's performance, financial position and financial outlook, should the Resolution be approved it is also the Directors' intention to pay dividends to Shareholders on a twice-yearly basis from the beginning of 2020 onwards. Whilst not forming part of its investment policy, the Company will target the payment of dividends which equate to a yield of 4 per cent. per annum on the Company's current estimated unaudited net asset value (being 73.3 pence per Ordinary Share as at 30 June 2019), payable in twice-yearly instalments (the "**Target Dividend**"). The Company will also target a progressive increase in the Target Dividend over time. Dividends may be paid out of either or both of income and capital, subject to applicable legal requirements.

The Target Dividend is a target only and does not constitute a profit forecast. There can be no assurance that the Target Dividend can or will be achieved from time to time and should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, Shareholders should not place any reliance on the Target Dividend or assume that the Company will make any distributions at all.

The Board also intends to introduce a 5-year continuation vote. The Directors will propose an ordinary resolution that the Company continues its business as a closed-ended investment company (a "**Continuation Resolution**") at the annual general meeting of the Company held in 2024. If the Continuation Resolution is passed, the Directors will put a further Continuation Resolution to Shareholders at the annual general meeting of the Company every five years thereafter.

If a Continuation Resolution is not passed, the Directors will be required to put forward proposals for the reconstruction, reorganisation or winding-up of the Company to the Shareholders for their approval within six months following the date on which the relevant Continuation Resolution is not passed. These proposals may or may not involve winding-up the Company or liquidating all or part of the Company's then existing portfolio of investments and, accordingly, failure to pass a Continuation Resolution will not necessarily result in the winding-up of the Company or liquidation of all or some of its investments.

3. RESOLUTION

The Proposal is subject to the approval of Shareholders, and the Notice of the General Meeting at which the Resolution to approve the Proposal will be considered is set out at the end of this document. The Resolution, if approved, will result in GHAM continuing to act as the Company's AIFM with the Investment Management Agreement being amended on the terms summarised in Part II of this document, which constitutes a related party transaction under the Listing Rules.

If the Resolution is not approved, Shareholders should expect that Mr. Rayne and the new directors will proceed with alternative proposals.

4. ACTION TO BE TAKEN BY SHAREHOLDERS

The General Meeting will be held at 10 Snow Hill London EC1A 2AL at 10.00 a.m. on 28 November 2019 to approve the Resolution described in paragraph 3 above.

The Resolution will be proposed as an ordinary resolution; this means that more than half of the votes cast must be in favour for the resolution to be passed.

Subject to the applicable restrictions on voting on related party transactions in the Listing Rules, all Shareholders are entitled to attend and vote at the General Meeting. In accordance with the Articles, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each share held. To ensure that a quorum is present at the General Meeting, two Shareholders entitled to vote must be present, whether in person or by proxy (or, if a corporation, by a representative).

The Notice of the General Meeting is set out at the end of this document and a Form of Proxy is enclosed with this document.

Shareholders are asked to complete and return the Form of Proxy enclosed with this document, together with any power of attorney or other authority under which they are signed or a notarially certified or office copy thereof, in accordance with the instructions printed thereon Link Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible and, in any event, so as to arrive by no later than 10.00 a.m. on 26 November 2019. Alternatively, Shareholders may submit their proxy vote electronically via the Registrar's website by visiting www.signalshares.com. For an electronic proxy to be valid, the appointment must be received by the Registrar by no later than 10.00 a.m. on 26 November 2019. Shareholders who hold their Shares electronically may submit their votes through CREST. Shareholders are requested to complete and return a Form of Proxy, vote electronically or submit their votes through CREST, whether or not they wish to attend the General Meeting.

5. RECOMMENDATION

The Board (acting by a majority which consists of each of the Independent Directors) considers that the Proposal is in the best interests of the Company and its Shareholders as a whole.

The Board (acting by a majority which consists of each of the Independent Directors) recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting and which are set out in the Form of Proxy.

Yours sincerely,

Martin Knight
Chairman

PART II – THE GHAM PROPOSAL

GHAM Proposal – Overview

In summary, the GHAM proposal put forward recommended:

- (a) reconstituting the Company's Investment Committee;
- (b) a reduction in the current annual management fee attributable to cash amounts in the portfolio in excess of five per cent of net asset value; and
- (c) changes to the performance fee arrangements payable to GHAM which the Independent Directors believe better align the interests of the Company and GHAM as new investments are made.

The GHAM proposal also included suggestions as to how the Company could be scaled-up in the future. The Independent Directors considered that if these were successfully implemented they would be in the interests of Shareholders as a whole.

If the Resolution is approved, the Company proposes to enter into the Amended IMA and GHAM will continue to manage the Company's investments in accordance with its existing investment policy. The Amended IMA is a continuation of the terms of the existing Investment Management Agreement, save for the amendments described in this Part II.

Under a reconstituted Investment Committee (as further described below), GHAM will target a core portfolio made up of smaller private equity growth and buy-out deals. GHAM typically expects to make investments both through participation in fund structures and/or direct holdings as a result of co-investment agreements. In addition, GHAM currently anticipates that approximately 30 per cent. of the portfolio from time to time will be made up of private asset and other off-market yielding investments which will typically be made alongside other GHAM managed funds or investment entities.

When selecting new investments, GHAM will typically seek to invest in private equity investments with average targeted net internal rate of return of 12 to 15 per cent. on the relevant principal amount invested.

GHAM Management Team and Reconstituted Investment Committee

Since it became the Company's investment manager, GHAM has significantly increased the size and experience of its venture and private equity investments team through the acquisition of a team from Livingbridge.

Should the Resolution be approved, it is proposed that the Gresham House Ventures/PE investment team at GHAM would assume day-to-day management responsibility for the Company's portfolio. The Company's current lead portfolio manager, Graham Bird, will continue to serve on the Investment Committee, as described below. This will provide the Company with access to a team of seven full time investment professionals alongside an extensive support and advisory team within GHAM. It is expected that the Company would benefit from the deal flow generated by the GHAM team which would also likely include the ability to co-invest alongside other GHAM managed funds.

Under the Amended IMA, the Company would cease to provide a member of the Investment Committee as is currently the case. The Independent Directors are of the view that the current structure leads to indecisive investment decision making (noting that each member of the Investment Committee currently has a veto right on each decision). The reconstituted investment committee will consist of GHAM representatives only (initially, Anthony (Tony) Dalwood, Bevan Duncan, Graham Bird and Tim Farazmand) and may be changed at GHAM's discretion at any time. The consent of the Board would continue to be required in respect of any investment which would represent more than 10 per cent. of the Company's net asset value at the time of investment. Biographies of each of the proposed investment committee members are set out at the end of this Part II.

The Board would maintain oversight of the Investment Committee by having observer status and access to all investment committee papers. The Board will also receive investment reporting from GHAM at each quarterly board meeting.

Should the Resolution be approved, the Amended IMA with GHAM would have an initial term of three years commencing on the date of the General Meeting. Both during and after the initial term,

either the Company or GHAM will be entitled terminate the agreement on 12 months' written notice (provided such notice does not expire prior to the end of the initial term).

Changes to the Annual Management Fee

Pursuant to the Amended IMA, the Company will pay GHAM a quarterly management fee based on the net asset value of the Company as at the start of the relevant calendar quarter. The applicable rate depends on the net asset value of the Company at the commencement of the relevant quarter, calculated as follows:

- (a) 0.375 per cent. to the extent that the net asset value is £100 million or less;
- (b) 0.3125 per cent. to the extent that the net asset value exceeds £100 million but is £150 million or less; and
- (c) 0.25 per cent. to the extent that the net asset value exceeds £150 million,

provided that any cash amounts in excess of 5 per cent. of total net asset value will be excluded from the calculation of the annual management fee.

Based on the Company's cash balance as at 30 June 2019 (which the Independent Directors expect will reduce over time as cash is deployed in new investments), this change would result in an annual reduction of the current annual management fee of approximately 22.7 per cent.

Changes to the Performance Fee

The current performance fee arrangements with GHAM are summarised in paragraph 5.1 of Part III of this document.

It is proposed that the existing performance fee arrangements be replaced (without any further payments being made under them) with the following terms.

The Company's portfolio will be divided into two pools for the purposes of calculating the new performance fee.

The first pool will consist of all fund or equivalent investments which have a carry or other performance fee attributable to them as well as the Company's shareholding in Gresham House plc, together with a cash amount representing the expected costs of maintaining those assets (including 18 months of annual management fees attributable to the current net asset value of those investments). This pool of assets will not be included in the calculation of the performance fee as described below. Shareholders should note that certain of the fund investments made prior to GHAM's appointment as manager of the Company include various other carry and fee arrangements with third parties that will not be impacted by the proposed change to the performance fee calculation. As investments in the first pool are realised, available cash from that realisation (after costs and payments associated with the realised investment) will be transferred to the second pool.

The second pool of investments will include all listed or quoted investments (other than the Company's shareholding in Gresham House plc) and any other investments which are not subject to carry or fee arrangements with third parties. The cash balance will also form part of the second pool. To the extent that any new fund investment is made, and that investment is subject to a fee or carry arrangement, it will be included in the first pool of investments, to avoid multiple levels of fees being paid on any single investment. The performance fee on the second pool of investments will be calculated as 20 per cent. of the increase in net asset value in the relevant performance period over a 5 per cent. compounding hurdle (which will be calculated using the net asset value as at the date the Resolution is approved) provided that the performance fee will only accrue if the net asset value of the relevant investments at the end of the period also exceeds the higher of a compounding performance hurdle of 8 per cent. per annum (the "**Performance Threshold**") and a high-water mark of the net asset value of the investments in the second pool in respect of which a performance fee was last paid (or the net asset value of the relevant investments in the second pool as at the date of the Amended IMA where no performance fee has yet been paid). The amount of any performance fee will also be limited so that no amount will be due to the extent that the effect of recognising any amount of the performance fee would reduce the net asset value of the second pool to below the higher of the Performance Threshold and the high-water mark. Both the performance hurdles and high-water mark will be subject to certain customary adjustments to take account of changes to the issued share capital of the Company from time to time.

Payment of the accrued performance fee in any year will only be made where, and then to the extent that, there are sufficient net realised profits attributable to the investments in the second pool (having taken into account any realised losses in that year). Realised profits for this purpose are (i) aggregate net realised profits during the relevant performance period that are attributable to unlisted direct investments, fund investment distributions and other cash returns (net of any costs and/or losses attributable to those investments), (ii) certain realised gains attributable to private investments which conduct an initial public offering when the Company does not sell its entire holding, (iii) the net increase (if applicable) in the valuation of any listed or quoted investments held by the Company over the relevant performance period, and (iv) dividends or other income received from the relevant investments. Accrued but unpaid performance fees will be paid in subsequent years to the extent that there are realised profits that are attributable to investments which were in the portfolio in the year the relevant performance fee amount accrued. To the extent such payments are made, realised profits for the performance fee accruing in that year will be reduced by a corresponding amount.

The first performance period in respect of which the new performance fee will be applied will be from the date of the General Meeting until 31 December 2020. Thereafter, performance periods will run from 1 January to 31 December in each year.

Over time, as earlier investments are sold, Shareholders will only be paying a performance fee once the total return on an increasing proportion of the Company's portfolio, and ultimately a significant majority of the portfolio, achieves the required 8 per cent. per annum (compounding) threshold return. The new performance fee is now only paid in respect of performance above a 5 per cent. compounding hurdle (currently it is paid on all outperformance should certain conditions be met) and accrued fees will continue to only be paid in respect of actual, net realised gains in respect of private unlisted investments. The Independent Directors therefore believe that the proposed performance fee better aligns the interests of the Company and GHAM.

Other key terms of the Amended IMA

Save as described in this Part II, the terms of the Amended IMA will replicate the terms of the existing Investment Management Agreement between the Company and GHAM, the terms of which are summarised in paragraph 5.1 of Part III of this document. In particular, the customary exclusion of liability and indemnity granted by the Company in favour of GHAM described on pages 14 and 15 will continue to apply.

Recommendation of the GHAM Proposal by the Independent Directors

The Board (acting by a majority which consists of each of the Independent Directors) believes that the GHAM proposal is in the best interest of the Company's Shareholders as a whole. The Independent Directors are of the view that continuing with GHAM as the Company's appointed manager should provide stability in terms of the management of the existing investments, increase the Company's ability to identify attractive new investments and reduce the annual running costs of the Company, with the potential to increase the size of the Company in the future.

Accordingly, the Board (acting by a majority which consists of each of the Independent Directors) recommends that Shareholders vote in favour of the Proposal.

Martin Knight, Rod Birkett and Neil Lerner, representing 0.15 per cent. of the Company's issued share capital, intend to support the Resolution contained in the notice of General Meeting. Robert Rayne intends to vote against the Resolution.

GHAM Investment Committee Biographies

Anthony (Tony) Dalwood – CEO, GHAM

With over 20 years in the industry, Tony is an experienced investor and has also advised numerous public and private equity businesses. In December 2014, Tony became CEO of Gresham House plc and brought in a new management team that has transformed the company from an investment trust into an AIM listed specialist asset management group.

Tony started his career at Phillips & Drew Fund Management (later UBS Global Asset Management), where he was a member of the UK Equity Investment Committee with responsibility for managing over £1.5 billion of UK equities. In 2002 Tony founded and became CIO of SVG

Investment Managers and CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), the global private equity funds business and specialist alternatives manager. He established and led the growth of SVG Investment Managers, before launching Strategic Equity Capital plc, a London listed Investment Trust in 2005.

He is the former chair of the London Pension Fund Authority's Investment Panel and is also an independent non-executive director of JPEL Plc (formerly JP Morgan Private Equity Limited Plc), and advises St Edmund College's Endowment Fund.

Bevan Duncan – Head of Portfolio, Gresham House Ventures

Bevan has 13 years' of private equity experience. Bevan has responsibility for overall portfolio management for the Baronsmead VCTs, he is also an active board member of several portfolio companies including MLS, Eque2, Key Travel and Pho. He qualified as a chartered accountant at KPMG in New Zealand where he provided consultancy services to fast growing small businesses.

Graham Bird – Fund Manager GHAM

Graham joined GHAM in 2015 and has been involved in the management of the Company portfolio since GHAM's appointment as manager. He has 20 years' experience in public and private equity, advisory services and businesses. Graham was executive chairman and president of PayByPhone, a multi-national division of PayPoint. Prior to that, Graham was a fund manager and head of Strategic Investments at SVG IM which followed a number of years as a director in the Corporate Finance division of JP Morgan Cazenove.

Tim Farazmand – Investment Team GHAM

Tim has over 30 years' experience in private equity with 3i, Royal Bank of Scotland Private Equity and as Managing Director at LDC. Tim co-founded ClearlySo, a European impact investing bank as well as sitting on the National Advisory Board for Impact Investing. Tim sits on the BVCA Council and founded the Impact Investment Advisory Group. He was Chair of the BVCA in 2014/15.

PART III – ADDITIONAL INFORMATION

1. THE COMPANY

The Company trades under the name LMS Capital plc and is a public limited company incorporated under the laws of England and Wales with company number 05746555. The Company is domiciled in England and Wales and its registered and head office is at Two, London Bridge, London, United Kingdom, SE1 9RA (telephone number +44 (0)20 7397 7245). The Company's website address is <https://privateassets.greshamhouse.com/funds/lms-capital-plc/>, however, Shareholders should note that the information included on the Company's website does not form part of this document. The principal legislation under which the Company operates, and under which the Ordinary Shares were created, is the Act and the regulations made thereunder. The Company is an investment company focused predominantly on private equity investment.

2. RELATED PARTY TRANSACTIONS

2.1 Related Party Transaction with GHAM

As noted in Part I of this document, pursuant to Listing Rule 15.5.4R, GHAM as the incumbent investment manager of the Company is a related party for the purposes of the Listing Rules. A transaction is considered to be a related party transaction for the purposes of Listing Rule 11 if the transaction exceeds the class tests (the “**Related Party Transaction**”).

The proposed amendments to the performance fee contained in the Amended IMA amount to a related party transaction for these purposes. This is because entry into the Amended IMA does not fall within any of the exemptions to the requirement for Shareholder approval for smaller related party transactions contained in the Listing Rules. This is because the FCA Rules require future performance assumptions to be disregarded when carrying out the related party analysis and where it is not possible to definitively determine the maximum value of any variation to management and/or performance fees, the variation must be treated as uncapped and require Shareholder approval under Listing Rule 11.1.7(3)R.

2.2 Board assessment of the Related Party Transaction

The Board (acting by a majority which consists of each of the Independent Directors), having been so advised by J.P. Morgan Cazenove, considers the terms of the Related Party Transaction as described herein to be fair and reasonable as far as the Shareholders are concerned. In providing its advice to the Board, J.P. Morgan Cazenove has taken into account the Board's commercial assessment of the Related Party Transaction (with the Board having acted by a majority which consists of each of the Independent Directors in making such commercial assessment).

2.3 Voting on the Related Party Transaction

Although GHAM itself does not have any interest in the Ordinary Shares of the Company, GHAM's ultimate parent, Gresham House plc, holds 605,799 Ordinary Shares as at 4 November 2019, being the last practicable date prior to the publication of this document. Accordingly, Gresham House plc will not vote on the Resolution and GHAM has undertaken to take all reasonable steps to ensure that (to the extent they acquire any Ordinary Shares in the Company prior to the General Meeting) none of its associates will vote on the Resolution at the General Meeting.

3. RESPONSIBILITY

The Directors (other than Robert Rayne, who has not participated in the Board's consideration of the Proposal and intends to vote against the Resolution) accept responsibility for the information contained in this document. Mr. Rayne will be providing details of an internal management proposal in a separate letter to Shareholders. The Independent Directors have not reviewed and are not responsible for the contents of that letter.

4. MAJOR SHAREHOLDERS

Insofar as it is known to the Company as at 4 November 2019 (being the latest practicable date prior to the publication of this document), the following persons have an interest in the Ordinary Shares which is notifiable under the Disclosure Guidance and Transparency Rules.

	Percentage of issued share capital	No. of Ordinary Shares
Robert Rayne ^{1, 2}	14.68%	11,654,384
Trustees of Lord Rayne's Will Trust	13.62%	10,817,477
Lady Jane Rayne ¹	11.76%	9,340,166
Charles Stanley & Co Ltd.....	10.55%	8,520,437
Armstrong Investment Management LLP	5.95%	4,800,000
Rath Dhu Limited.....	5.33%	4,300,000
Schroder plc	3.56%	2,871,460

Note:

1. There are common interests in certain of these shares.
2. Robert Rayne holds a non-beneficial interest in 8,984,260 Ordinary Shares held in trust and a personal interest in 2,670,124 Ordinary Shares.

5. MATERIAL CONTRACTS

5.1 Investment Management Agreement

The Company appointed an affiliate of GHAM as its investment manager pursuant to the terms of an investment management agreement entered into with the Company on 16 August 2016 and GHAM was subsequently appointed as the Company's investment manager, following regulatory changes, under the Investment Management Agreement on 21 December 2018. Under the terms of the Investment Management Agreement, GHAM was appointed by the Company as the Company's external alternative investment fund manager with effect from 8 May 2018.

Pursuant to the existing Investment Management Agreement (which will be superseded by the Amended IMA described in Part II of this document if the Proposal is approved by Shareholders), the Company pays GHAM an annual Management Fee based on the average audited net asset value of the Company in respect of that financial year. The applicable rate depends on the average audited net asset value of the Company for that financial year, calculated as follows:

- (a) 1.50 per cent. to the extent that the average audited net asset value is £100 million or less;
- (b) 1.25 per cent. to the extent that the average audited net asset value exceeds £100 million but is £150 million or less; and
- (c) 1.00 per cent. to the extent that the average audited net asset value exceeds £150 million.

No Management Fee is charged on funds raised by the Company from a new share issue or other capital raising for a period of six months after the fund raising or, if earlier, until the date on which (and to the extent that) the relevant funds are applied in making investments.

In calculating the Management Fee in respect of the financial year in which the existing Investment Management Agreement is terminated, the average audited net asset value in respect of that financial year shall be taken to be the average audited net asset value in respect of the previous financial year and the net asset value for the month in which termination takes effect.

In addition to the annual Management Fee described above, under the current arrangements, the Company is liable to pay GHAM, if certain hurdle return requirements are satisfied, an annual performance fee of 15 per cent. of the gain in the net asset value of investments made under the Company's Investment Policy approved in 2016 ("**New Investments**") in each financial year, subject to a number of conditions, as set out below (the "**Performance Fee**").

- (a) No Performance Fee is payable to GHAM in respect of assets held prior to the adoption of the Investment Policy on 16 August 2016 ("**Legacy Assets**"). Follow-on investments of more than £350,000 in Legacy Assets are, with the agreement of GHAM and the Company, treated as New Investments.
- (b) The net asset value relating to New Investments is calculated annually after an allocation of operating costs (including the Management Fee) based on the relative value of the New Investments and Legacy Assets.
- (c) The amount of the Performance Fee, if any, is determined for each performance fee period. The first performance fee period started on the date on which the Investment Management Agreement was entered into and ended on 31 December 2017; each subsequent performance fee period begins on the first day after the end of the previous performance fee period and end on the first anniversary of the end of the last performance fee period (the "**Performance Fee Period**").
- (d) In respect of any particular Performance Fee Period, no performance fee is due unless the increase in the net asset value of the New Investments at the time of calculation exceeds 8 per cent. compound growth per annum (the "**Hurdle NAV**").
- (e) The Performance Fee is calculated based on the increase in net asset value of New Investments compared to the highest previous net asset value of New Investments in respect of which a Performance Fee became due (or the cost of New Investments, net of allocated costs, if there has been no previous performance fee) (the "**High Watermark NAV**").
- (f) The Performance Fee in any year is reduced to the extent that it would otherwise reduce the net asset value of the New Investments to below the Hurdle NAV.
- (g) In any year, payment of the Performance Fee in relation to any particular Performance Fee Period may not exceed 15 per cent. of the net realised gains in that year from the disposal of New Investments held on or prior to the date of the relevant Performance Fee Period, with any balance being carried over to future Performance Fee Periods and being paid before Performance Fees due in respect of subsequent Performance Fee Periods.
- (h) Payments of Performance Fees in any year, including in respect of deferrals, may not exceed 15 per cent. of the net realised gains earned in the relevant Performance Fee Period. If the Performance Fee exceeds this in any financial year, such sum is rolled into the next financial year.

Under the existing agreement, all payments are made directly to GHAM. No payments are made directly to individuals.

The Investment Management Agreement will continue until terminated by either the Company or GHAM giving to the other not less than 12 months' written notice. The Investment Management Agreement also contains customary termination provisions, including that the agreement may be terminated immediately by either party giving notice to the other (or any person to whom that other party has delegated functions under the Investment Management Agreement) where the other party has:

- (a) committed any material or repeated breach, which in aggregate amounts to a material breach of its obligations under the Investment Management Agreement and, if such breach is capable of remedy, shall fail to remedy such breach within 30 days of receipt of written notice from the notifying party requiring it to do so; or
- (b) be liquidated or dissolved (except a voluntary liquidation or a voluntary dissolution for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the notifying party) or be unable to pay its debts as they fall due or commit any act of bankruptcy under the laws of any jurisdiction to which that party may be subject or if a receiver is appointed over any of its assets.

GHAM will not be liable under the Investment Management Agreement for any act of omission of the Company or the Board or any person, firm or company through whom transactions in Investments are effected. GHAM will not be responsible for any loss of opportunity whereby the value of the Portfolio could have been increase or for any decline in the value of the Portfolio howsoever arising, except to the extent that such loss or decline is due to GHAM's (or its

employees') negligence, wilful default or fraud. In particular, GHAM will not be liable for any loss to the Company arising from errors of fact or judgement or any action taken (or omitted to be taken) by it howsoever arising except to the extent that such error or action (or omission thereof) is due to such party's negligence, wilful default or fraud.

The Company has agreed to indemnify and keep indemnified GHAM and its members, officers and employees from and against any and all liabilities, obligations, losses, damages, suits and expenses which may be incurred by or asserted against GHAM in its capacity as AIFM, except:

- (a) any tax on the net income, profit or gains of GHAM in relation to remuneration or reimbursement received by GHAM;
- (b) to the extent that any such liability, loss, damage or expense arises as a result of the negligence, wilful default or fraud of GHAM;
- (c) any VAT output tax;
- (d) any amount in respect of VAT which is recoverable by the person incurring it or by another member of that person's VAT group; or
- (e) expenses incurred by GHAM to the extent not entitled to be reimbursed under the Investment Management Agreement.

5.2 IMA Amendment Agreement

An amendment agreement to the Investment Management Agreement was entered into by GHAM and the Company dated 11 June 2019 (the "**IMA Amendment Agreement**"). Pursuant to the terms of the IMA Amendment Agreement, the Board is entitled at its sole discretion to instruct GHAM to procure a buyer or buyers for some or all of the shares of Gresham House plc, the ultimate parent company of GHAM, held by the Company (a "**Dealing**"). In procuring any Dealing, GHAM is required to act in accordance with the terms of the Investment Management Agreement and the final terms of such Dealing will be subject to the prior approval of the Board.

6. NO SIGNIFICANT CHANGE

Save for the reduction in the net asset value of the Company of £0.3 million attributable to realised and unrealised movements in the valuations of investments announced by the Company on 5 November 2019, there has been no significant change in the financial position of the Group since the end of the financial period in respect of which the Company published interim financial period (being the six month period ending on 30 June 2019).

7. CONSENT

J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document of the references to its name and the form and context in which it appears.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office at Two London Bridge, London, United Kingdom, SE1 9RA during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document up to and including the time and date of the General Meeting:

- 8.1** this document;
- 8.2** a copy of the Investment Management Agreement;
- 8.3** a copy of the IMA Amendment Agreement;
- 8.4** a copy of the Amended IMA; and
- 8.5** the written consents referred to in paragraph 7 of Part III of this document.

Copies will also be available at the place of the General Meeting from at least 15 minutes prior to and until the conclusion of the General Meeting.

DEFINITIONS

“Amended IMA”	the agreement amending and restating the Investment Management Agreement between the Company and GHAM on the terms set out in Part II of this document, which will be entered into if the Resolution is approved;
“Act”	the Companies Act 2006;
“AIFM”	an alternative investment fund manager for the purposes of the AIFM Directive;
“AIFM Directive”	the Alternative Investment Fund Managers Directive (Directive 2011/61/EU);
“Articles”	the articles of association of the Company, as amended from time to time;
“Board”	the board of Directors;
“Business Day”	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business;
“Company”	LMS Capital plc;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in the Regulations);
“Directors”	the directors of the Company, and “Director” shall mean any one of them;
“Disclosure Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority;
“Euroclear”	Euroclear UK & Ireland Limited;
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority established under the FS Act and acting in its capacity as the competent authority for the purposes of Part 6 of FSMA;
“FCA Rules”	the rules, guidance, principles and codes comprised in the Handbook of Rules and Guidance issued by the FCA.
“Form of Proxy”	the form of proxy for the General Meeting which accompanies this document;
“FS Act”	the Financial Services Act 2012;
“FSMA”	the Financial Services and Markets Act 2000;
“General Meeting”	the general meeting of the Company to be held at 10.00 a.m. on 28 November 2019, or any adjournment thereof;
“GHAM”	Gresham House Asset Management Limited, a company incorporated in England and whose registered office is at 5 New Street Square, London EC4A 3TW;
“Group”	LMS Capital plc, together with its subsidiaries and subsidiary undertakings;
“IMA Amendment Agreement”	has the meaning given in paragraph 5.2 of Part III of this document;
“Independent Directors”	all of the members of the Board other than Robert Rayne;
“Investment Committee”	the investment committee of GHAM relating to the Portfolio, constituted pursuant to the Investment Management Agreement;

“Investment Management Agreement”	the existing investment management agreement between GHAM and the Company dated 21 December 2018 pursuant to which GHAM was appointed as the Company’s AIFM;
“Investment Policy”	the investment policy, objective and restrictions of the Company as amended from time to time in accordance with the Investment Management Agreement and, where required, by Shareholder resolution of the Company;
“J.P. Morgan Cazenove”	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove;
“Listing Rules”	the Listing Rules of the Financial Conduct Authority;
“Notice of General Meeting”	the notice of the General Meeting set out at the end of this document;
“Ordinary Shares”	the issued ordinary shares of 10 pence each in the share capital of the Company;
“Portfolio”	all the assets (including cash) of the Company and any other member of its Group at any time under the management of GHAM pursuant to the Investment Management Agreement;
“Proposal”	has the meaning given to it in paragraph 1 of Part I of this document;
“Register”	the Company’s register of members;
“Registrar”	Link Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Regulatory Information Service”	any of the services set out on the FCA’s list of regulated information services (as set out on the FCA’s website) from time to time;
“Related Party Transaction”	has the meaning given on page 12 of this document;
“Resolution”	the ordinary resolution set out in the Notice of General Meeting;
“Shareholders”	holders of Ordinary Shares;
“Target Dividend”	has the meaning given to it in the section entitled “Dividend Policy and Continuation Vote” in Part I of this document;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland; and
“VAT”	value added tax as provided for in the Value Added Tax Act 1994 and regulations made thereunder and any other tax of a similar nature which is introduced in substitution for or in addition to such tax and any equivalent tax in any other jurisdiction.



LMS CAPITAL PLC

(Incorporated and registered in England and Wales with registered number 05746555)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of LMS Capital plc (the “**Company**”) will be held at 10 Snow Hill London EC1A 2AL on 28 November 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution by way of a poll.

Resolution

1. **THAT** the Proposal as set out in Part II of the circular to shareholders of the Company dated 5 November 2019 which contains this Notice of General Meeting (the “**Circular**”) be and is hereby approved; and in consequence of such approval of the Proposal, the Amended IMA proposed to be entered into between the Company and GHAM summarised in Part II of the Circular, which constitutes a related party transaction under the Financial Conduct Authority’s Listing Rules, be and is hereby approved.

Save where the context requires otherwise, the definitions contained in the Circular shall have the same meanings where used in this notice of general meeting.

5 November 2019

By order of the Board

IQ EQ Corporate Services (UK) Limited
Company Secretary

Two London Bridge, London, United Kingdom, SE1 9RA

IMPORTANT NOTES TO THE NOTICE OF MEETING

The following notes explain your general rights as a Shareholder and your right to attend and vote at this General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), Shareholders must be registered in the Register of Members of the Company at close of business on 26 November 2019 (or, in the event of any adjournment, 48 hours before the time fixed for the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. There are no other procedures or requirements for entitled Shareholders to comply with in order to attend and vote at the General Meeting.
2. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact our Registrar, Link Asset Services, by phone: UK: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge). From overseas, call +44 371 664 0300 (calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. You can also contact our Registrar by email: shareholderenquiries@linkgroup.co.uk or by post at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
5. The statement of the rights of Shareholders in relation to the appointment of proxies in notes 3, 4 and 8 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
7. To be valid, any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's Registrar, at the address shown on the form of proxy or in the case of shares held through CREST, via the CREST system, (see note 11 below). Shareholders wishing to appoint a proxy online should visit www.signalshares.com and follow the instructions. If you have not registered for The Share Portal service already, you will need your Investor Code detailed on your personalised proxy. In each case, for proxy appointments to be valid, they must be received by no later than 10.00 a.m. on 26 November 2019. If you return more than one proxy appointment, either by paper or electronic communication, that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in note 11 below) will not prevent a Shareholder attending the General Meeting and voting in person if he/she wishes to do so.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment of the General Meeting) by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/en.html>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers' agent (ID: RA10) no later than 10.00 a.m. on 26 November 2019. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 4 November 2019 (being the last practicable business day prior to the publication of this Notice), the Company's total number of voting rights amounted to 79,411,942, comprising 79,411,942 ordinary shares carrying one vote each. No shares are held in treasury.
14. Any Shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from 4 November 2019 until the time of the General Meeting until the conclusion of the General Meeting:
 - this document;
 - a copy of the Investment Management Agreement;
 - a copy of the IMA Amendment Agreement;
 - a copy of the Amended IMA; and
 - the written consents referred to in paragraph 7 of Part III of the Circular.
16. You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
17. A copy of this Notice, and other information required by Section 311A of the Act, can be found on the Company's website at <https://privateassets.greshamhouse.com/investor-relations/>.

